

2. FIAR GOAL, PRIORITIES, AND STRATEGY

2.A FIAR GOAL

The Financial Improvement and Audit Readiness goal is to improve the Department's financial management operations, helping provide America's Service men and women with the resources they need to carry out their mission and improving our stewardship of the resources entrusted to us by the taxpayers. Success will be demonstrated through a financial statement audit performed by independent auditors resulting in an unmodified audit opinion on the Department's financial statements.

2.B PRIORITIES

The OUSD(C) established the initial FIAR priorities on August 11, 2009. Before establishing the Department's priorities, the OUSD(C) coordinated them with the Deputy Secretary of Defense, reporting entities, Department of Defense Office of the Inspector General (DoD OIG), Office of Management and Budget (OMB), Government Accountability Office (GAO), and Congress, who approved, endorsed or acknowledged these priorities.

The Department has made significant progress in recent years with regard to its audit readiness efforts for General Fund budgetary data (Statement of Budgetary Resources). In January 2015, approximately 91 percent of Fiscal Year (FY) 2015 DoD General Fund budgetary data was under independent audit.

However, there are now less than two years remaining before the DoD must be ready for a full financial statement audit. To achieve this goal, the OUSD(C) has increased the level of urgency by expanding the FIAR priorities and establishing critical capabilities (see Appendix F) that Components must achieve to demonstrate audit readiness.

The OUSD(C) expanded priorities are designed to accelerate achievement of the FIAR objectives. The current priorities are:

- Budgetary information;
- Proprietary accounting and information;
- Mission critical asset information; and
- Valuation.

The OUSD(C) directed the reporting entities to modify and regularly update their Financial Improvement Plans (FIPs) to achieve these objectives and priorities, and this remains an important requirement (DoD leadership is updated every 60 days). Reporting entities should update and submit FIPs regularly and provide assertion documentation to FIAR as each work product is completed, so the FIAR Directorate can assess and monitor interim progress and address impediments early in the process. To reflect the expanded priorities, Appendix F, which aligns with the FIAR Methodology (see Section 4), **emphasizes** critical assertion tasks and related work products.

Furthermore, as fiscal year 2017 approaches, it is critical that the Military Departments and the Other Defense Organizations begin addressing both GF and WCF in the scope of audit readiness activities.

2.B.1 BUDGETARY INFORMATION

The Department's major financial decisions are based on budgetary data (e.g., status of funds received, obligated, and expended). As a result, the initial OUSD(C) priority focused on process improvements, controls, and systems that produce budgetary information. The starting point for achieving auditable financial statements was the Statement of Budgetary Resources (SBR), specifically the Appropriations (discretionary and mandatory) line item. By focusing improvement efforts on budgetary information and the SBR, the Department sought to:

- Improve the visibility of budgetary transactions resulting in more effective use of resources;
- Provide for operational efficiencies through more readily available financial information;